



## INITIATIVE 7: ADDITIONAL REVENUE

### OPPORTUNITIES TO INCREASE FUNDING FOR RTAS

Over the last year, the lingering effects of the recession have produced funding shortfalls throughout the country that have forced 80% of the nation's transit systems to raise fares and/or reduce service.<sup>1</sup> Fortunately, in Massachusetts, this has generally not been the case. Still, the Commonwealth's RTAs face significant funding challenges, and identified the need for additional funding as one their most pressing issues.

A critical element of the RTAs' funding challenge is that they receive nearly two-thirds of their operating funds from federal and state sources (see Table 1). While these are essential sources of funding, the amounts available have been largely flat over the past several years. Also challenging is that RTAs only have a limited ability to affect the amount of money provided because funds are allocated by legislative bodies balancing competing needs.

**Table 1: RTA Operating Funds FY 2012 in Millions of Dollars**

Funding Program	Amount	Percentage
State Contracting Assistance	\$59.2	37%
Federal Transit Administration (FTA)	\$41.5	26%
Local Assessments	\$29.4	18%
Farebox	\$23.1	14%
Other Revenue*	\$8.1	5%
<b>Total</b>	<b>\$161.3</b>	<b>100%</b>

*Source: MassDOT Approved budget in Net Cost of Service FY 2012 & MassDOR Cherry Sheet FY 2012. Other*

*\*Revenues consist of advertising, parking, sale of capital assets and interest income.*

A third major source of RTA funding is local assessments, which reflect local contributions for service. However, since the passage of Proposition 2½ in 1981, increases in local assessments have been limited to 2.5% per year, which is often less than the rate of inflation. In addition, both state and assessment funds are provided to RTAs in arrears for service completed, meaning that there is a delay between providing the service and funding the service.

As the economy improves, it is possible that federal and state funding for transit will once again begin to increase. As described in multiple initiatives, with better analysis and documentation of RTA needs, MassDOT and the RTAs will be in a stronger position to advocate for additional state funding. Opportunities currently exist, however, for RTAs to increase revenue by better leveraging existing sources that they directly control, and by leveraging new sources of funding. This document explores potential sources of additional funding for RTAs through fare increases, partnerships with educational institutions, and the establishment of local option taxes.

### FUNDING OPPORTUNITIES

One of the most common methods of raising transit agency revenues involves fare revenue. Some transit agencies have been assertive about maximizing fare revenues by consistently reviewing their fares, targeting farebox recovery rates, and conducting periodic fare increases.

<sup>1</sup> <http://trimet.org/choices/what-are-other-agencies-doing.htm>



Another common source of funding for transit agencies is pass agreements with colleges and universities, or UPass programs. UPass programs are among the most common types of partnerships, and involve universities paying transit agencies for universal access to transit services for students, faculty and staff. Several transit agencies, including RTAs, have also successfully developed partnerships with local public school districts.

In addition, transit agencies have also worked with their local and regional communities to develop local option taxing mechanisms to help raise funds to support public transportation. These allow communities, at their local option, to generate additional revenue for the expansion of transit services.

## TRANSIT FARES

### Current Practice in Massachusetts

Fare revenues are a critical revenue source for RTAs, raising an estimated \$23.1 million in FY 2012 and contributing approximately 14% to the overall cost of service on a statewide basis. The proportion of revenues attributed to fares, however, varies widely by individual RTA—some RTAs collect as much as 33% of revenues from fares (VTA) and others as little as 8% (CATA). Variations reflect differences in the types and levels of service offered as well as variations in fare levels and fare structures. RTA fares on fixed-route services range from \$1.00 to \$5.00 with higher fares generally associated with longer distance services (see Figure 1). Fares on Americans with Disabilities Act (ADA) complementary paratransit services vary from \$1.00 to \$10.00 and fares on non-ADA paratransit service (such as council on aging (COA) operated demand-responsive service) range from \$1.00 to \$9.00 (or by donation).

In terms of base fares (i.e. the full adult cash fare for the minimum distance traveled) on fixed-route services, five out of 15 RTAs charge a fare of \$1.25 per ride, and seven agencies charge \$1.00. Only three RTAs have a base fare of more than \$1.25—MWRTA and WRTA charge \$1.50 and CCRTA charges \$2.00.<sup>2</sup> In addition, a key characteristic of most RTAs' fare structures is the use of distance-based fares. Only three RTAs set a single adult base fare for all fixed-route services: CCRTA (\$2.00), WRTA (\$1.50), and PVRTA (\$1.25). The remaining RTAs scale their fares so that longer-distance services charge a higher fare, with fares increasing for each zone or town traveled.

The ADA sets fares for complementary paratransit service at no more than twice the rate of the corresponding fixed-route service. This means that while agencies may charge less than twice the fixed-route fare, they cannot charge more. In Massachusetts, four agencies currently set their ADA paratransit fares at twice the fixed route rate (see Figure 2). The remaining 11 agencies charge less, and five charge the same fare for fixed route as for ADA complementary paratransit. There is a clear relationship between higher fares and higher farebox recovery rates for ADA service; agencies that charge the maximum allowable fare have a higher farebox recovery rate (see Figure 3).<sup>3</sup>

Setting equitable and reasonable fares for ADA service is a challenge. Demand-responsive services provide a higher level of service and are more costly to provide on a per-rider basis as compared with fixed-route service. Thus, operators typically want to encourage passengers to use fixed-route service whenever possible. While setting ADA fares at the maximum level can help accomplish this, operators also recognize that ADA services often transport the most vulnerable (and often least able to pay) members of the community and, as a result, there is considerable pressure to keep fares low.

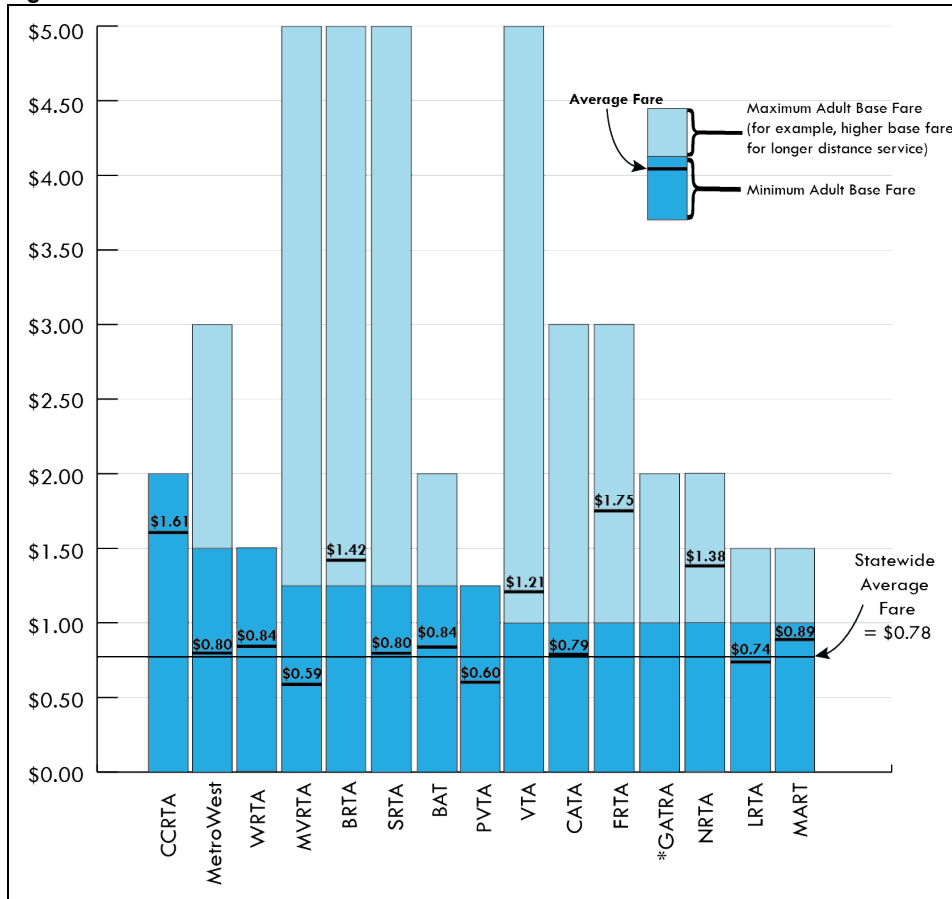
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<sup>2</sup> PVRTA is planning to raise its base fare from \$1.25 to \$1.50 on July 1, 2012.

<sup>3</sup> One exception is PVRTA. Although it charges twice the base fare for ADA complementary paratransit trips, it also charges 50¢ for non-ADA paratransit trips. As a result, its overall farebox return for demand-response service is low (8%).



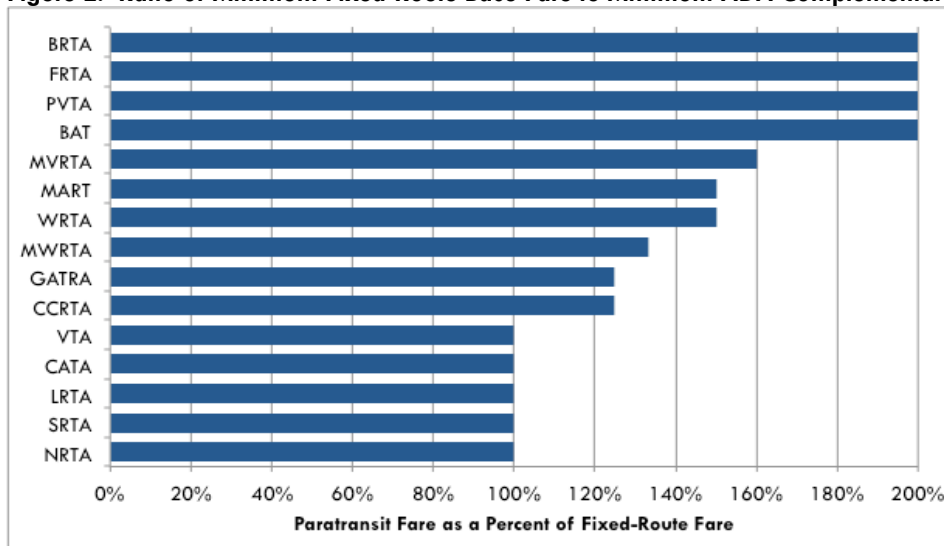
**Figure 1: RTA Fixed-Route Fares**



Source: NTD data adapted by Nelson\Nygaard

\*Note: PVRTA average fare does not account for direct revenues received in lieu of fare for 5 College area students. GATRA average fare is unavailable due to mixing of intercity bus service in its data reporting.

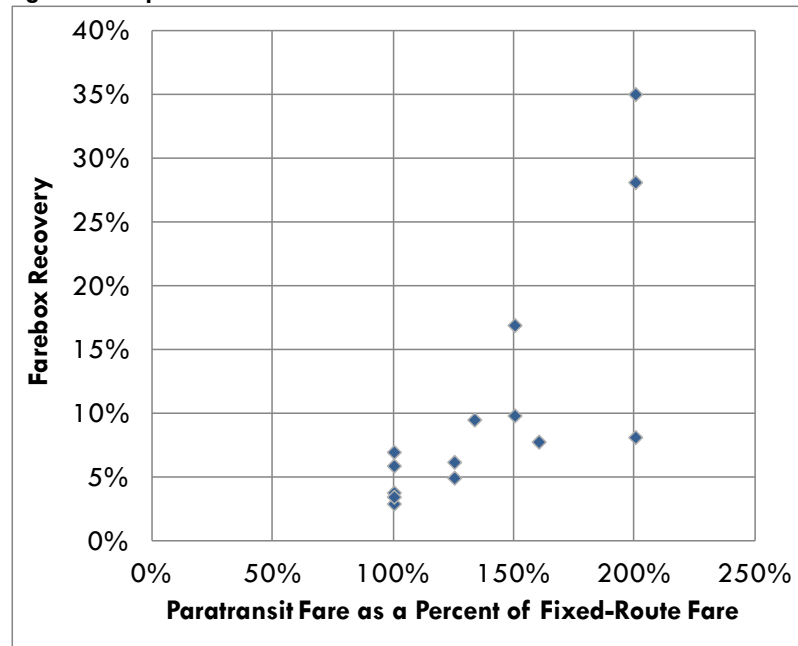
**Figure 2: Ratio of Minimum Fixed-Route Base Fare to Minimum ADA Complementary Base Fare**



Source: NTD data adapted by Nelson\Nygaard



**Figure 3: Impact of Paratransit Fare Levels on Farebox Return**



Source: NTD data adapted by Nelson\Nygaard

## Analysis of RTA Fares

The potential for RTAs to raise additional revenue through fares was examined through an analysis of average fares. The average fare is calculated by taking the sum of all fare revenues and dividing it by the total number of unlinked passenger trips. The average fare is usually considerably lower than the adult cash fare because it includes fare discounts associated with half-fare programs, monthly and other bulk discounted pass media, plus any arrangements that give groups of riders unlimited rides (e.g. agreements with universities). The average fare for a fixed-route rider among all Massachusetts RTAs in FY 2010 was \$0.78 and the average fare for a demand-response rider was \$2.48 (see Table 2).

As discussed, average fixed-route fares vary widely among agencies. For example, CCRTA, BRTA, VTA, FRTA and NRTA have average fares that are much higher (ranging between \$1.21 and \$1.75) than the statewide RTA average (\$0.78). These higher average fares are largely realized by setting higher base fares and charging premiums for longer distance travel.

The FY 2010 average fare for RTAs was lower than the national average for fixed-route bus service of \$0.96 and the average for demand-responsive services of \$2.59 (see Table 2).<sup>4</sup> RTA average fares, however, are higher than the current MBTA average fares of \$0.72 (fixed-route) and \$1.67 (demand-responsive). The MBTA, however, has a much higher farebox recovery rate for fixed-route service than the RTAs; this reflects a higher volume of passengers served. The RTA demand-responsive farebox recovery ratio is relatively high, and RTAs perform better in this regard than both the MBTA and the national average. Since fixed-route services account for a much higher volume of statewide RTA operating costs than demand-responsive services (\$107.0 million versus \$41.1 million), the relatively strong farebox recovery performance on demand-responsive services is offset by lower performance on fixed-route services.

The MBTA is currently planning to increase its fares, which would both significantly increase its average fare and farebox recovery rate. If RTAs increased their fares to the extent that average fares matched the

<sup>4</sup> National Transit Database, 2011



national average or recommended MBTA fares, approximately \$3.3 to \$3.5 million in new fare revenue could be raised (see Table 3). The amounts that could be generated by each RTA would vary significantly, and PVTA could raise over one-third of all potential revenue.<sup>5</sup> Other RTAs that could generate significant increases would be LRTA, MVRTA, SRTA, and WRTA.

**Table 2: Average Fares and Farebox Recovery Rates**

Average Fares				
	RTAs	National	MBTA-Current	MBTA-Recommended Increase
Fixed-Route	\$0.78	\$0.96	\$0.72	\$0.95
Demand-Response	\$2.48	\$2.59	\$1.67	\$3.24
Farebox Recovery				
	RTAs	National	MBTA-Current	MBTA-Recommended Increase
Fixed-Route	19%	27%	23%	N/A
Demand-Response	12%	8%	4%	N/A

*Note: Current MBTA figures are based on NTD 2010 data. MBTA Recommended Increase average fare figures are based on analysis published by Boston MPO (Travel Demand Model based), and farebox recovery figures were not calculated.*

**Table 3: Potential Revenues from Fare Increases – Fixed-Route**

	2010 Average Fare	2010 Fare Revenue	With Increase to National Average (96¢)	With Increase to Recommended MBTA Levels (95¢)
BAT	\$0.84	\$2,422,013	*	*
BRTA	\$1.42	\$724,891		
CATA	\$0.79	\$162,754	+\$34,000	+\$33,000
CCRTA	\$1.61	\$646,788		
FRTA	\$1.75	\$204,294		
GATRA	N/A	\$1,591,331		
LRTA	\$0.74	\$996,160	+\$287,000	+\$276,000
MART	\$0.89	\$517,426	+\$40,000	+\$35,000
MVRTA	\$0.59	\$1,225,272	+\$754,000	+\$737,000
MWRTA	\$0.80	\$254,590	+\$49,000	+\$47,000
NRTA	\$1.38	\$314,166		
PVTA	\$0.83**	\$5,815,840	+1,260,000	+\$1,181,020
SRTA	\$0.80	\$1,438,497	+\$283,000	+\$268,000
VRTA	\$1.21	\$1,328,421		
WRTA	\$0.84	\$2,759,796	+\$387,000	+\$360,000
<b>Total</b>		<b>\$20,402,239</b>	<b>+\$3,449,000</b>	<b>+\$3,269,000</b>

*Note: Farebox revenue increase amounts are not shown for agencies that already have a higher average fare than that of the proposed scenario.*

*\*BAT raised its fares in 2011 following publication of the 2010 data, which is currently the most recent set of comprehensive data that is available. With its recent fare increase, it is likely that BAT's average fare is now close to national average and MBTA recommended fares, and that additional amounts that could be raised, if any, would be low.*

*\*\*PVTA average fare adjusted to account for free student ridership. Average fare and additional revenue amounts are for riders who pay a fare.*

A similar case exists on the demand-response side, and between \$1.1 and \$2.3 million in new fare revenue could be raised (see Table 4). Four RTAs—GATRA, PVTA, CCRTA and WRTA—could each raise \$100,000 or more annually by raising fares on demand responsive services to average national levels or to

<sup>5</sup> PVTA is planning to raise its fares in July 2012 (with an increase in its base cash fare from \$1.25 to \$1.50, and estimates that the fare increase will increase revenues by \$800,000 per year.



recommended MBTA levels (see Table 4). The total amount of new fare revenue that could be raised for both fixed-route and demand response services would be as high as \$5.5 million (at MBTA fare levels).

**Table 4: Potential Revenues from Fare Increases – Demand-Responsive**

	Current Average Fare	2010 Fare Revenue	With Increase to National Average (\$2.59)	With Increase to Recommended MBTA Levels (\$3.24)
BAT	\$5.65	\$1,139,500		
BRTA	\$5.45	\$472,163		
CATA	\$0.71	\$23,713	+\$62,000	+\$84,000
CCRTA	\$1.55	\$234,080	+\$155,000	+\$254,000
FRTA	\$2.23	\$264,868	+\$42,000	+\$120,000
GATRA	\$1.06	\$234,215	+\$335,000	+\$479,000
LRTA	\$1.10	\$109,203	+\$148,000	+\$213,000
MART	\$2.84	\$793,174		\$112,000
MVRTA	\$1.99	\$133,477	+\$40,000	+\$84,000
MWRTA	\$2.65	\$264,131		+\$59,000
NRTA	\$0.91	\$8,417	+\$16,000	+\$22,000
PVTA	\$2.06	\$654,084	+\$168,000	+\$375,000
SRTA	\$1.75	\$162,083	+\$78,000	+\$138,000
VTA	\$1.14	\$16,626	+\$22,000	+\$31,000
WRTA	\$2.18	\$456,840	+\$85,000	+\$222,000
<b>Total</b>		<b>\$4,966,574</b>	<b>+\$1,150,000</b>	<b>+\$2,191,000</b>

*Note: Farebox revenue increase amounts are not shown for agencies that already have a higher average fare than that of the proposed scenario.*

## UPass PROGRAMS

One revenue-generating strategy that has been particularly successful for transit agencies around the country is partnerships with universities and colleges. Universities and colleges typically have a strong interest and high demand for transit service because:

- Students do not always have access to private vehicles, but need and want to travel.
- University and college campuses often have limited and/or restricted parking facilities, and offering transit programs is often equally or less expensive than developing parking structures.
- Many colleges are interested in being more “green” and look to transit programs as one of the ways they can reduce the environmental impact of their institution.

Partnerships between transit agencies and universities and colleges are typically referred to as “UPass” programs, which reflect both that such arrangements are with universities and often offer universal (i.e. fare-free) access to transit service. These programs have become an increasingly important way to generate revenue for improved services.

## Current Practice in Massachusetts

UPass programs represent a large potential market in Massachusetts due to the high number of colleges and universities. There are an estimated 347,000 students in Massachusetts<sup>6</sup>, of which approximately 220,000 students go to school in RTA service areas<sup>7</sup>. Of these students, about 50,000 are at private

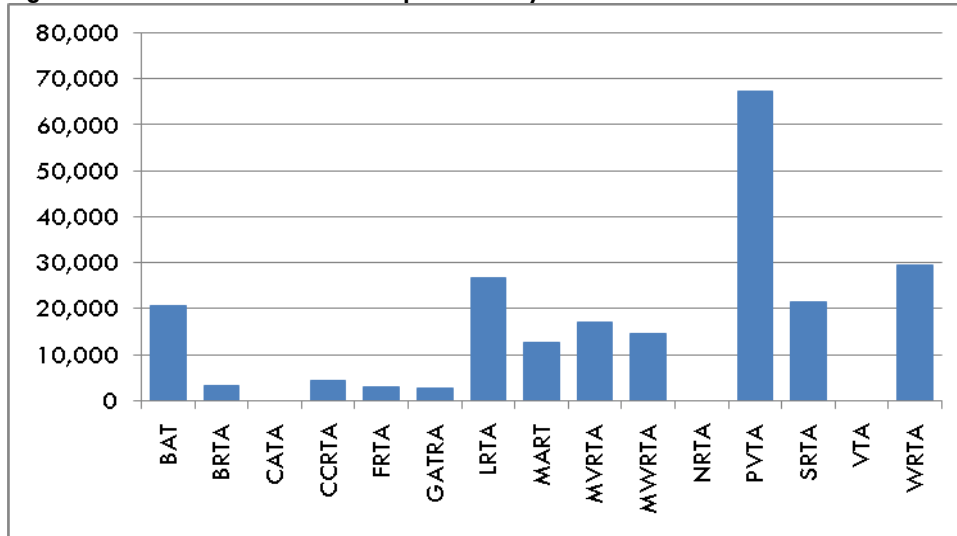
<sup>6</sup> Association for Independent Colleges and Universities in Massachusetts

<sup>7</sup> NN estimate includes some schools that are partially in RTAs and partially in MBTA service area (Middlesex CC).



institutions and the remaining 170,000 are at public institutions (see Figure 3). Most of the RTAs have significant student populations in their service areas.

**Figure 3: Massachusetts Student Populations by RTA Service Area**



Source: Association for Independent Colleges and Universities in Massachusetts

Note: Does not include students in MBTA service area

Several RTAs in Massachusetts have developed partnerships with colleges and universities in their service area and in 2011, these agreements generated approximately \$1.6 million. These funds have helped support additional service that directly serve area colleges and universities and also provide local resources to match state and federal funding programs.

Despite existing success, the potential for UPass programs in Massachusetts has not been fully realized, and as a result, there is potential to use this strategy to raise revenues. Of the RTAs with successful programs, three (PVTA, MART and GATRA) have transit service agreements with local universities and colleges that provide universal access for students, faculty and staff. Several other RTAs already work with local community colleges, but these efforts are primarily to discuss service issues and sell transit passes (see Table 5).

## Pioneer Valley Transit Authority (PVTA)

The largest agreement between an RTA and local institution is PVTA's agreement with Five Colleges Inc. PVTA also has a contract with Westfield State University.

**Five Colleges Inc.** – Five Colleges is a non-profit organization that represents the five colleges in the Pioneer Valley region, including the University of Massachusetts, Amherst College, Hampshire College, Mt. Holyoke College and Smith College. Combined, these five institutions have a student population of over 35,000 students. PVTA began providing service to the Five Colleges institutions in the 1980s, and Five Colleges pays the local assessment portion of operating costs. In exchange, students, faculty and staff associated with the Five Colleges institutions ride PVTA services for free. This agreement provides approximately \$1.2 million per year.

When Five Colleges requested additional trips and routes (FY11), PVTA set new terms for these routes whereby Five Colleges agreed to pay the full cost of the additional service, or approximately \$132,000.





**Table 5: Current Agreements between RTAs and Massachusetts Universities and Colleges**

RTA	College	Partnership	Estimated Revenue (2011)
BRTA	Berkshire Community College	BCC uses space at BRTA intermodal facility	n/a
FRTA	Greenfield Community College	GCC sells bus passes on campus (full fare)	n/a
GATRA	Wheaton College	College pays part of route costs and full cost of service extension route to late night and weekend service; students, faculty and staff ride for free	\$70,000 (est.)
MART	Fitchburg State University	FTSU pays entire cost of FTSU routes Students, faculty and staff ride free	\$75,000
MART	Mount Wachusett Community College	MWCC sells half-fare bus passes	n/a
MWRTA	Framingham State University (FSU)	FSU operates student run system with limited oversight and support from MWRTA, including rolling stock and maintenance, student operator training and management oversight.	n/a
PVTA	Five Colleges Inc.	Five Colleges Inc. pays local assessment for historical routes; pay full cost for new service Students, faculty and staff ride free	\$1.15 m (historical) \$132,300 (new)
PVTA	Westfield State	WSU pays full cost of OWL shuttle Students, faculty and staff ride free on OWL and WSU routes only	\$75,000
PVTA	Springfield Technical College	PVTA provides additional services and trips to campus	\$105,000
PVTA	Holyoke Community College	PVTA provides additional services and trips to campus	\$160,000

Source: Nelson\Nygaard Consulting Associates

**Westfield State University** – In addition to services provided for Five Colleges, PVTA runs the OWL Shuttle service for Westfield State University (WSU), a shuttle bus that runs between a remote parking facility and the main WSU campus. WSU pays the full cost of this service. The actual cost depends on the amount of service provided and varies by year, but was estimated at approximately \$75,000 in FY 2011. Students, faculty and staff ride the OWL shuttle, plus the two PVTA routes that directly serve the WSU campus (R-10 West Springfield to Westfield State University and B-23 Holyoke to Westfield) for free. In contrast with services provided to the Five Colleges members, WSU students, faculty and staff are not allowed to ride all PVTA services for free. Funds to support the service are raised in part by a \$10 per semester for each enrolled student.

### Montachusett Regional Transit Authority (MART)

MART has an agreement with Fitchburg State University (FSU). FSU pays the fully allocated cost of FSU Route 4, a shuttle between a remote parking lot and the FSU campus. In exchange for fully funding this service, FSU students, faculty and staff ride all MART services for free. Revenue generated from FSU is used to match federal and state grant programs.

### Greater Attleboro Regional Transit Authority (GATRA)

GATRA currently has an agreement with Wheaton College in Norton wherein the college subsidizes the cost of Route 140 (Norton to Mansfield). The route existed before the partnership but by working with the College, GATRA was able to increase service levels, especially for late night and weekend service when





there is more demand from the college than from the broader community. The late night and weekend services only operate when school is in session. In exchange for the contribution from Wheaton College, students, faculty and staff of Wheaton College ride for free. This partnership raises an estimated \$70,000 per year for GATRA.

## Examples from Other Areas

### King County Metro (Seattle)

One of the first and most successful UPass programs in the country is the University of Washington (UW) UPass. This program began in the early 1990s and offers students, faculty and staff unlimited, free-fare access to most public transportation services in the Puget Sound region. When the program was initially implemented, the largest regional operator, Seattle King County Metro (KCM) added transit service to the main UW campus in Seattle. UW also increased parking fees substantially and developed a series of other transportation demand management programs, such as vanpool fare credits, discounted carpool parking, guaranteed ride home, etc.

Students, faculty and staff accessed bus service by using their university ID card. Revenues to support the program were raised through a transportation fee charged to students, faculty, and staff, plus parking fees. The UPass program resulted in a significant increase in demand for transit services and over time as ridership has increased, so has transit service to the campus.

Since the program inception, UW has paid transit operators on a per trip basis according to a negotiated trip rate. The negotiated trip rate varies by operator, but is lower than the cash fare. In the early days of the programs, students, faculty and staff flashed their ID card when they boarded the bus and trips were measured through surveys. More recently, however, UW began participating in the regional smart card program so that UPass trips are now recorded by the fare box and allocated to providers according to measured ridership. By more accurately recording use and reducing fraud, smart cards became an important strategy in keeping program costs low. For 2011, students are required to participate in the UPass program and pay a \$76 fee per quarter. Participation is optional for faculty and staff, who pay \$136/quarter for the program. Studies of UW's UPass program demonstrate that since the program began, drive alone commuting has decreased by some 38%. The program also generates approximately \$7.5 million annually for King County Metro (who is among several transit providers participating in the program).

### Rhode Island Public Transit Authority

The Rhode Island Public Transportation Authority (RIPTA) has also achieved considerable success developing UPass programs and partnerships with colleges and universities. Currently, RIPTA has a UPass agreement with every college and university in the state.

With private universities and colleges (Brown, Providence College, Rhode Island School of Design, Johnson & Wales, Bryant, Salve Regina, Roger Williams and Lincoln Tech) contracts are negotiated individually and vary by institution. However, all consist of a pay-per-ride contract based on trips recorded through a Smart Card or magnetic swipe school ID. RIPTA generates ridership reports, which are provided to the institutions and used to generate monthly invoices. FY 2011 ridership from this program was estimated at 1.3 million riders and generated approximately \$1.66 million for RIPTA.

Public institutions in Rhode Island also all have transit programs, although financial constraints mean that most do not include unlimited access programs. Each of the four campuses of Rhode Island Community Colleges sell RIPTA passes for half-fare, with the college absorbing the other 50% of the costs. In addition, the University of Rhode Island (URI) in Kingston contracts with RIPTA to run an on-campus shuttle plus additional limited service into a nearby town. URI pays for this service and URI students ride



these routes for free. URI students can also purchase RIPTA fare products for half-fare. Combined, the half-fare program generated nearly \$740,000 in pass and ticket sales for RIPTA in 2011.

### **Port Authority of Allegheny County (Pittsburgh)**

The Port Authority of Allegheny County, which provides service to the Pittsburgh area, has UPass arrangements with major universities, including the University of Pittsburgh and Carnegie Mellon University. The Port Authority's program differs from the King County Metro and RIPTA programs in that the Port Authority and the universities negotiate a flat fee that funds transit use for all students and employees. The students and employees then display their student or employee IDs for free use of all Port Authority services.

### **Mankato Transit System (Mankato, MN)**

The Mankato Transit System (MTS) is a small transit system (10 buses) that serves Mankato, MN, which is a city of 37,000 in Southern Minnesota. MTS has a strong partnership with Minnesota State University Mankato (MSU), and at present, MSU contracts with MTS for the operation of three routes that primarily serve the university but are also open to the general public. All riders must currently pay fares, which for students are \$45 per semester, \$16 per month, or the regular cash fare. Student ridership comprises nearly half of total MTS ridership.

At the present time, the MTS and MSU are now in the process of expanding this relationship to provide more evening service and to implement a UPass agreement. Under the terms of this agreement, MSU students and staff would be provided with free access to all MTS service, and the program would be funded with a \$9 per semester student fee. The new fee, which is being billed as a "Green Fee," will provide \$225,000 per year to MTS for the operation of existing and new services.

## **PARTNERSHIPS WITH PUBLIC SCHOOLS**

Transit agencies around the country and in Massachusetts have also successfully partnered with public school districts, typically with high schools. Common arrangements include transit agencies contracting directly with the public school district to provide specific trips to a particular school. Other transit agencies have arrangements with school districts where the school district purchases bulk pass sales.

Historically, transit agencies have been reluctant to work directly with public school systems due to regulations from the Federal Transit Administration (FTA) that state that recipients of FTA grant funds are not allowed to provide public school transportation. Recent publications from the FTA, however, clearly state that, "public transportation vehicles can be used to transport students to and from school if they ride regularly scheduled mass transportation service that is open to the general public. Such service may be designed or modified to accommodate the needs of school students and personnel, using various fare collection subsidy systems. This is commonly known as 'tripper service'."<sup>8</sup> Clarification by the FTA combined with local pressure on school system budgets has encouraged in many transit agencies, including RTAs in Massachusetts, to partner directly with school districts. Similar with UPass programs, partnerships vary by location. Some public school districts pay for additional bus service, while other school districts purchase bus passes for their students.

### **Current Practice in Massachusetts**

In Massachusetts, as was presented in Table 5, several RTAs have already developed such partnerships. PVTA, for example, has an agreement with the cities of Springfield and Holyoke through which each city

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<sup>8</sup> FTA, Public Transportation and School Buses



pays for additional trips that directly serve local public schools. These routes and trips are published in PVRTA schedules and open to members of the public and thus also increase service for the broader community. The cities also purchase tokens and passes for students. PVRTA raised an estimated \$400,000 from each city for these services, for a total of \$800,000 raised through partnerships with school districts in 2011.

## Examples from Other States

### Rhode Island

The City of Providence does not provide school bus transportation for high school students and instead issues monthly RIPTA bus passes to those high school students living more than 3 miles from school (whether public, charter or out-of-district). Students may also receive passes if they:

1. Have a documented need written in their Individual Education Plan (IEP)
2. Have a medical need and supporting doctor's note
3. Live within 2.5 miles of school and can show a financial hardship

Final eligibility decisions are made by the Supervisor of Transportation. This program is funded locally, through the Providence school department budget. Approximately 2,500 high school students receive passes each month, out of a total high school population of about 7,600. In total, the City purchased \$1.4 million worth of RIPTA passes in FY 2009.

## LOCAL OPTION TAXES

Local option taxes, especially sales taxes, are a common funding source for transit authorities throughout the country, especially among larger transit agencies. Agencies benefit from being able to budget local revenues without relying on governing bodies to allocate revenues to them. Most transit agencies that have dedicated, local revenue streams to fund their services feel strongly about the positive effect on their financial health, particularly with regard to long range planning. Sales taxes are the most common type of local option taxing mechanism used to support transit, and in most cases, an increment is added to the existing sales tax with the revenues dedicated to the transit agency. Other local option taxes are also used to support transit agencies, including property taxes, fuel taxes, income and payroll taxes, and in some case "sin" taxes on alcoholic beverages. Dedicated funding sources, especially local taxes, also strengthen the tie between local communities and transit providers and further encourage agencies to be responsive to local needs.

There are several challenges associated with local option taxes, the clearest of which is that there are many competing demands for tax revenues and tax payers have a limited ability to pay. Another challenge reflects governance and the fact that transit agencies typically provide regional service. New England, unlike other parts of the country, is oriented around municipal governance rather than county systems and therefore lacks a mechanism to tax regions or groups of cities and towns. Nationally, however, numerous transit agencies have had success increasing existing taxes or instituting new taxes to support transit service.

## Current Practice in Massachusetts

State support for public transportation in Massachusetts is funded, in part, through a dedicated tax levied on gasoline sales, registry fees and sales that are deposited into the Commonwealth Transportation Fund. These taxes are levied and distributed statewide.



As local entities, Massachusetts cities and towns have a very limited ability to adopt local taxes. Outside of the property tax and motor vehicle excise tax, the Commonwealth permits only a handful of local optional taxes, two of which are relatively new (2009):

- Increasing the tax on hotel and motel rooms from 4% to 6%.
- Adding an additional 2% to the meals tax.

Reports suggest that as many as 75 communities, mostly larger cities and towns, have taken advantage of the hotel and motel tax and a similar number has levied the local option meals tax. To date, however, none of the communities are using this revenue to support the RTAs. The ability to develop new local option taxes would require enabling legislation.

In addition, local communities can provide additional “local assessment” funds to RTAs on a voluntary basis for the provision of new or expanded services. In these cases, the communities provide these funds directly from whatever sources they desire, and not through the formal Local Assessment process. While it is challenging for RTAs to convince communities to provide additional funding, BAT has had success in this area.

## Practices in Other States

### California

The State of California enables counties to raise sales taxes for defined periods to support transportation. In the past few decades, over 25 counties have instituted these “local transportation sales taxes” (LTST) and collectively they generate about \$2.5 billion per year. The taxes are used to support both highways and transit systems and have been one of the fastest growing revenue sources for transportation in California. One of the reasons that the taxes are so popular is that they allow civic and political leaders to bypass the state transportation finance and decision-making. The popularity of the local transportation sales taxes is also attributable to the fact that:

1. Taxes must be approved directly by the voters
2. Funds are raised and spent within the counties that enact them
3. Most LTSTs are temporary and typically last 15 or 20 years, unless voters specifically reauthorize them
4. Voters approve a specific list of transportation projects to be financed by the tax.

A wide variety of counties have adopted LTSTs, including large urban counties (Los Angeles, San Diego and Sacramento), several suburban counties (Contra Costa, Riverside and San Mateo) as well as many rural counties (Fresno, Imperial and San Joaquin).<sup>9</sup>

### Arizona

In Arizona, various statutes enable counties to enact transportation excise taxes of up to 0.5% for transportation (including transit) purposes. The imposition of the tax requires advance specification of how the funds will be spent and voter approval. The state’s two largest counties (Maricopa and Pima) have both enacted the sales taxes, as have three smaller counties (Gila, Pinal, and Yavapai).

In addition, individual cities may also enact local option sales taxes of up to 0.5%, and these taxes may be enacted by the governing bodies of the individual jurisdictions. At least five cities (Peoria, Phoenix, Scottsdale, Tempe, and Yuma) have adopted additional transportation excise taxes with rates that range from 0.2% and 0.5%.

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<sup>9</sup> *Local Transportation Sales Taxes, California’s Experiment in Transportation Finance*, University of California, Wachs, etc.



## Idaho

Idaho is one of four states that does not provide any state funding for transit operations (together with Mississippi, Alaska and Hawaii), or allow for local option taxes dedicated solely for public transportation. Under the Idaho State Sales Tax Act, however, certain resort cities that have a tourist-based economic and a population of less than 10,000 can use a local option tax to supplement the city budget. Several cities, including the city of Sun Valley, used this tax to generate funding for local public transit. Ponderay, Idaho, a community of just over 1,000 residents, located in the northern most part of the state, between Washington and Montana also used this tax to fund local transit service. In 2010, voters approved an eight-year bed tax of 5% on short-term stays in hotels. The revenues generated from the tax will be dedicated to fund tourism programs, including a new bus system through four communities in the region: Dover, Sandpoint, Ponderay and Konntenai. The bus system is under development and is planned as free-fare, multi-community system with a projected annual budget of about \$500,000.

## Pennsylvania—Allegheny County

In December, 2007, Allegheny County instituted a 10% county tax on the retail sale of alcoholic beverages (the “drink tax”), with all revenues dedicated to fund the Port Authority of Allegheny County, which is the county’s transit operator. The tax was instituted in conjunction with a tax on rental cars in order to raise the local resources necessary for the Port Authority to match state and federal transit funds<sup>10</sup>. The tax encountered significant resistance, and in 2009, was lowered to 7%. However, the past few years have highlighted an advantage of the drinks tax as it proved to be more recession-proof than most other local taxing mechanisms.

## POTENTIAL REVENUE OPPORTUNITIES FOR RTAS

### Summary of Issues

The largest sources of funding for the RTAs are the Commonwealth and the federal government, both of which are currently severely constrained. As noted at the beginning of this initiative, there is recognition at MassDOT that RTAs need more funding in order to make major improvements in serving their customers. Although MassDOT’s current budget situation leaves it with little opportunity to increase RTA funding directly, the Commonwealth’s entire transportation system faces serious revenue shortfalls that may ultimately necessitate a statewide and systemwide solution. The expectation is that the needs of RTAs would be addressed as part of any such comprehensive solution.

Absent a comprehensive solution to statewide needs, there are still a variety of potential strategies that could help RTAs raise additional funds to expand their operations. While all options pose challenges, they also present significant opportunities to strengthen their relationship with riders and partner organizations as well to increase ties to their local communities.

### Fare Revenue

Fares offer opportunities to increase RTA funds, especially for those that currently have lower average fares and/or have set ADA fares at less than twice the fixed-route fares. As demonstrated, increasing agencies’ average fares on the order of 20% provides the potential to raise between \$6.4 million and \$13.2 million. Because RTAs have very different fare structures, some agencies would stand to raise considerably more revenue than others. PVTA has the most potential associated with raising fixed-route revenues, reflecting a combination of high ridership and lower average fares. GATRA has the greatest

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<sup>10</sup> Allegheny County Oks Drink Tax, The Pittsburgh Challenge, 2007



potential to raise revenues by increasing demand-responsive fares; again this reflects a lower starting fare and high ridership on those services.

While raising fares offers potential for RTAs to increase revenue, it is also true that raising fares is not easy. Constituent groups, including transit agency boards, will likely challenge proposals to raise fares, citing equity and affordability concerns. Some of these concerns can be mitigated through a fare structure that offers a variety of fare media (monthly passes, day passes, etc.) that provide discounts for bulk purchases. RTAs in Massachusetts have also had success basing fares on distance. This strategy allows RTAs to capture more revenue on service that is costlier to provide. Finally, there are strong arguments for keeping fares in line with other similarly sized and positioned transit agencies, including RTA peers in Massachusetts. In this way, it is possible that agencies' relatively low fares across the board have served to suppress efforts to increase fares. To assist RTAs in raising fares while still providing local flexibility, MassDOT could set statewide minimum fare levels at the same level as MBTA fares, but with exceptions (for example the substitution of other RTA revenues, such as UPass revenues) for fare revenue).

### UPass Programs

Partnerships with universities and colleges represent a significant opportunity for RTAs to raise additional funding. Developing UPass programs has an upside potential of approximately \$11 million annually, assuming every student in the RTA service area paid \$25 per semester for universal access to RTA services<sup>11</sup>. In addition, as mentioned, partnerships have the dual benefit of raising funds for local service as well as tying new service to critical market segments.

To date most of the partnerships between universities and the RTAs reflect an agreement where institutions contribute a lump sum towards service that directly serves the campus and in exchange, students, faculty and staff ride for free. This model may be more cost effective for suburban and rural systems where there are fewer transit services and riders. In other cases, however, RTAs may explore the negotiated trip rate model, which is more common nationwide. Several RTAs are exploring implementation of CharlieCard or other smart card technology, and this technology would make implementing a negotiated trip rate approach considerably easier.

Developing these partnerships, however, is not without challenges. According to MA law (MGL 15A Section 22), agreements that impact student fees must be developed locally with student government participation. This means that each UPass program must be negotiated independently, although some contracts and terms may be shared. The groundwork required to develop and maintain these programs and partnerships requires considerable effort, but would also provide the opportunity RTAs to work with their local institutions to ensure that any agreement and service is relevant and appropriate. UPass programs are an established practice for transit agencies across the country and have a proven track record of not only at raising revenues but also increasing ridership, which in turn can help improve RTAs' performance and ability to access funds from other sources.

### Partnerships with Public School Districts

Transit agencies, including RTAs in Massachusetts, have successfully worked with public school districts to increase service to local high schools and/or sell bus passes to students. Interest in these types of partnerships has increased nationally as school district budgets are constrained. These types of arrangements may not be appropriate for all RTAs, but there are opportunities for increased use of this strategy.

### Local Option Taxes

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<sup>11</sup> \$11million estimate assumes every student in RTA district is assessed a \$25 per semester fee (220,000 x \$25 x 2 semesters = \$11,000,000).





Local option taxes have significant potential to increase and provide more consistent funding sources for transit operations, which typically need ongoing operational (rather than capital) funds. Currently, for Massachusetts' RTAs to leverage local option taxes as a public transportation funding source, they must work with their member communities to use existing taxing authority and channel these revenues to RTA services. The current list of local option taxes in the state is limited, and thus enabling legislation would be required. This type of effort would not be easy, and would require RTAs to work to develop strong support within their communities. Finally, efforts to establish local option taxes to support RTAs should also consider opportunities to create regional taxing mechanisms so service and system costs can be allocated across multiple communities.

## Actions to Consider

For the foreseeable future, funding from existing sources will almost certainly continue to be constrained. However, costs will continue to increase and there will continue to be demands for new services. Thus, to maintain and improve service, it will become increasingly important to develop new funding sources and to better leverage existing funding that the RTAs directly control. This document addresses some of the most promising ways in which this could be done. All would require a significant amount of effort in terms of the public process involved in fare increases, developing new relationships and negotiating agreements, and advocating for legislative changes.

To further explore these options, topics for discussion at the next workshop include:

1. Transit fares vary considerably by agency and fares are low overall. As a result, RTAs could increase their revenues by raising fares.
  - What factors are most important when considering when and how much to raise fares (for example, service and funding needs, inflation, rider incomes, etc.)?
  - Should statewide fare policies be developed? What should they include?
  - Would statewide policies help give RTAs 'cover' when they go about raising fares?
  - Should fare standards or policies be extended to both fixed-route and ADA services?
2. Some RTAs have been more successful and proactive about establishing partnerships with educational institutions than others.
  - Are there obstacles preventing RTAs reaching out to potential partners?
  - How can the state support RTAs in developing these partnerships?
  - Is there a role for RTA-to-RTA assistance?
3. Local taxes pose considerable challenges in Massachusetts but also offer significant benefits, especially for RTAs looking for more control over their funding.
  - Are RTAs interested in working towards establishing a local option tax mechanism?
  - Are future efforts better directed towards existing mechanisms or working towards new ones?
4. Are there other potential funding opportunities:
  - Fund raising (one small VT system raises approximately \$140,000 in donations per year, plus its 10% local match for a new maintenance facility)?
  - Other?





## FOR MORE INFORMATION

*2010 Ballot Measures, Center for Transportation Excellence:*

<http://www.cfte.org/success/2010BallotMeasures.asp>

*Local Transportation Sales Taxes: California's Experiment in Transportation Finance, Amber Crabbe, Rachel Hiatt, Susan Poliwka and Martin Wachs, Institute of Transportation Studies, University of California, Berkeley, 2005:*

<http://www.uctc.net/papers/737.pdf>

*Local Option Transportation Taxes: Devolution is Revolution, Martin Wachs, Institute of Transportation Studies, University of California, Berkeley:*

<http://www.uctc.net/access/22/Access%2022%20-%2002%20-%20Local%20Option%20Transportation%20Taxes.pdf>

*A Quiet Revolution in Transportation Finance: The Rise of Local Option Transportation Taxes, Todd Goldman and Martin Wachs, Transportation Quarterly, Vol 57, No. 1 Winter 2003:*

<http://www.uctc.net/research/papers/644.pdf>

*Issues Related to Providing Dedicated Funding for the Washington Metropolitan Area Transit Authority, United States Government Accountability Office: GAO—6-516 (May 2006)*

*Future Financing Options to Meet Highway and Transit Needs, NHCRC 20-24 (49):*

[http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp\\_w102.pdf](http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp_w102.pdf)

*Federal Transit Administration – Public Transportation and School Buses:*

<http://www.fta.dot.gov/documents/SchoolBusBrochureJanuary19-2005.pdf>

*University of Washington: UPass reports:*

[http://www.washington.edu/facilities/transportation/commuterservices/files/reports/employee\\_res\\_dist\\_study.html](http://www.washington.edu/facilities/transportation/commuterservices/files/reports/employee_res_dist_study.html)

*U-PASS: A Model Transportation Management Program that Works, Michael Williams and Kathleen Petrait, TRB Report 1404:*

<http://ntl.bts.gov/DOCS/UPAS.html>



### APPENDIX A: MASSACHUSETTS COLLEGES AND UNIVERSITIES BY TOWN AND RTA

College	Primary Campus Location	Student Population	RTA
Stonehill College	Easton	2,400	BAT
Bridgewater State University	Bridgewater	11,000	BAT
Massasoit Community College	Brockton, Canton, Middleborough	7,400	BAT
Williams College	Williamstown	2,200	BRTA
Berkshire Community College	Pittsfield	1,222	BRTA
Dean College	Franklin	1,100	GATRA
Greenfield Community College	Greenfield	3,000	FRTA
Wheaton College	Norton	1,650	GATRA
UMass Lowell	Lowell	14,700	LRTA
Middlesex Community College	Bedford, Lowell	12,000	LRTA
Fitchburg State University	Fitchburg	7,600	MART
Framingham State University	Framingham	6,100	MWRTA
Mount Wachusett Community College	Gardner	5,000	MART
Mass Bay Community College	Wellesley, Framingham, Ashland	8,500	Metrowest
Merrimack College	N. Andover	2,100	MVRTA
North Essex Community College	Haverhill, Lawrence	15,000	MVRTA
Amherst College	Amherst	1,600	PVTA
Bay Path College	Longmeadow	1,500	PVTA
Elms College	Chicopee	1,200	PVTA
Hampshire College	Amherst	1,400	PVTA
Mt. Holyoke College	S. Hadley	2,100	PVTA
Smith College	Northampton	3,100	PVTA
Springfield College	Springfield	4,700	PVTA
Western New England University	Springfield	276	PVTA
Westfield State University	Westfield	6,000	PVTA
Holyoke Community College	Holyoke	12,547	PVTA
Springfield Technical College	Springfield	6,000	PVTA
UMass (Amherst)	Amherst	27,000	PVTA
Bristol Community College	Fall River, New Bedford, Attleboro, Taunton	12,123	SRTA GATRA
UMass Dartmouth	New Bedford, Fall River	9,400	SRTA
Assumption College	Worcester	2,700	WRTA
Becker College	Worcester	1,700	WRTA
Clark University	Worcester	2,800	WRTA
College of the Holy Cross	Worcester	2,700	WRTA
Nichols College	Dudley	1,500	WRTA
Worcester Polytechnic Institute	Worcester	4,000	WRTA
Quinsigamond Community College	Worcester	13,000	WRTA
UMass Worcester	Worcester	1,000	WRTA
Worcester State University	Worcester	6,200	WRTA
Mass College of Pharmacy	Worcester	900	WRTA
Mass Bay Community College	Wellesley, Framingham, Ashland	8,500	Metrowest
Merrimack College	N. Andover	2,100	MVRTA
Total all Colleges and Universities:		<b>236,918</b>	